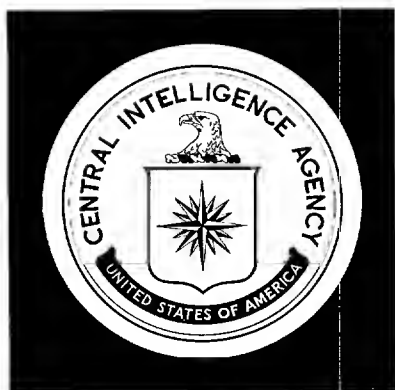


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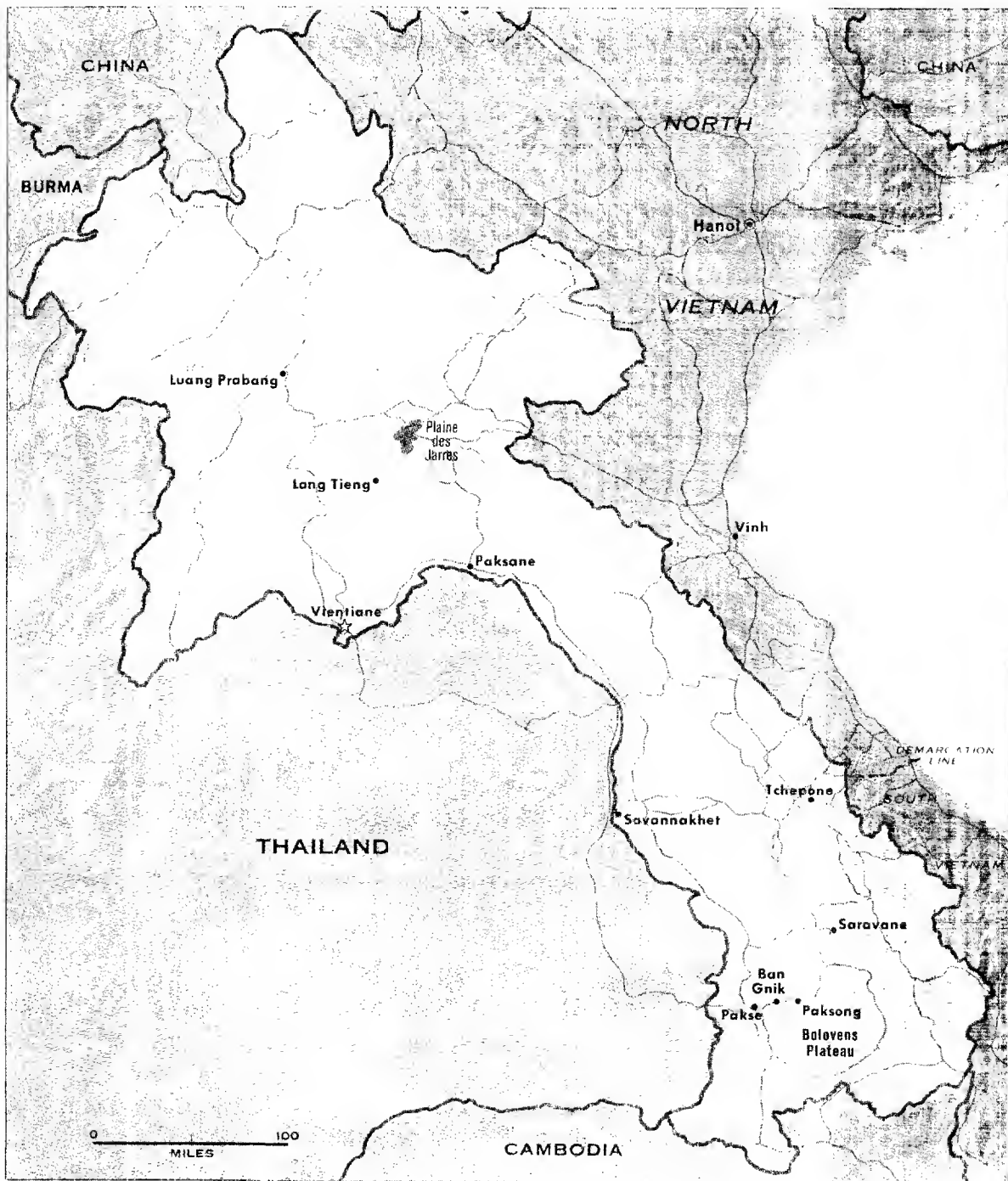
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[LAOS: The anticipated enemy assault on Long Tieng has not yet materialized.

At the remaining government positions north-east of the Long Tieng Valley, irregulars are reporting frequent ground probes and shelling attacks from elements of the six North Vietnamese regiments massed in this area. During the past two days, the valley has been entered by NVA raiding parties, one of which attacked General Vang Pao's headquarters compound in the center of Long Tieng before being driven off.

These raids notwithstanding, the North Vietnamese appear to be taking their time in attempting to give the coup de grace to Long Tieng. Traditionally meticulous in preparing for major battles, the NVA commanders may be willing to take whatever losses result from government air and artillery attacks while they ensure that their tactical and logistic preparations are complete. They may also be hoping that their continuing pressure on Long Tieng will cause defections in the government ranks.

In south Laos, the Communists are also exerting heavy pressure on a government force that is attempting to block further enemy movement along Route 23 toward the western edge of the Bolovens Plateau. The action is taking place at Ban Gnik, about 12 miles west of Paksong, and as many as two NVA battalions with artillery support may be involved. So far, government casualties are reported to be light, but the Ban Gnik defenders are virtually surrounded, and air support is being subjected to heavy ground fire.



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BANGLADESH: Sheik Mujibur Rahman, who is expected to arrive in Dacca today, faces a myriad of problems.

Among the most immediate is law and order. The police force, which was almost decimated in the last ten months, is gradually being rebuilt, but it will take many more months to make it into an effective organization. The government probably now controls less than a third of the estimated 50,000 armed guerrillas in the country. Many of the balance are believed to be either bandits or affiliated with left-wing political groups.

Mujib also faces problems with the various factions competing to influence the new government. He is essentially a middle-of-the-roader, but at present, leftist elements seem ascendant in his Awami League (AL). The AL itself has been under pressure from other leftist parties. Although the AL-dominated government successfully rebuffed efforts of these parties to be included in the cabinet, the appointment of their leaders to a central board for a national militia suggests that they cannot be ignored.

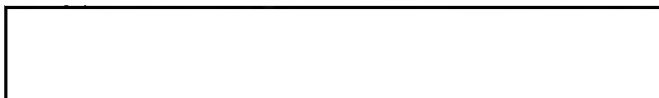
Mujib's ability to deal effectively with political and economic problems will be closely scrutinized by the leftist parties, which have promised cooperation for the time being. A similar pledge has come from the militant AL student organization, which says it intends to judge the government by its early performance. The government's initial efforts to deal with the ravaged economy have been more suited to satisfy political demands than to meet urgent economic requirements.

Bangladesh-India relations remain good, but some Bengalis are beginning to have doubts about the indefinite stay of Indian troops in Bangladesh. The two governments issued a communiqué yesterday stating that Indian forces will be withdrawn when

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Dacca requests it. The population as a whole is still favorably disposed toward the Indians, but irritants have arisen and could increase. So far, the most serious source of friction has been the army's attempts to disarm various guerrilla groups, which has caused AL student leaders to threaten armed resistance.



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UN - MIDDLE EAST: UN envoy Gunnar Jarring returns to New York today to resume his efforts to promote an Arab-Israeli settlement, but prospects for any breakthrough remain poor.

Neither side has given any overt sign of movement in the diplomatic arena since the UN General Assembly last month adopted by a wide margin a resolution essentially supporting the Egyptian position. Jarring may try to offer some new formula to start a dialogue but Israel has yet to respond to his memorandum in February 1971 requesting Cairo and Tel Aviv to lay out their settlement terms. Jarring may also consider whether to try to include Israeli-Jordanian issues in his consultations. Efforts in that direction could serve to forestall Amman from taking the Jerusalem issue to the Security Council again.

The Soviets, meanwhile, may be preparing to try to increase their efforts to reach a political settlement in the Middle East. A recent article in Pravda, which again resurrected the Soviet peace plan of 1969, conveys the impression that Moscow might be planning a new diplomatic move of its own. That plan calls for a phased Israeli withdrawal from Arab territories to the pre - June 1967 borders and Arab recognition of those borders. Moscow believes that the US has monopolized the search for a political settlement in the recent past, and wants to show its Arab clients that it is prepared to become active in the field.



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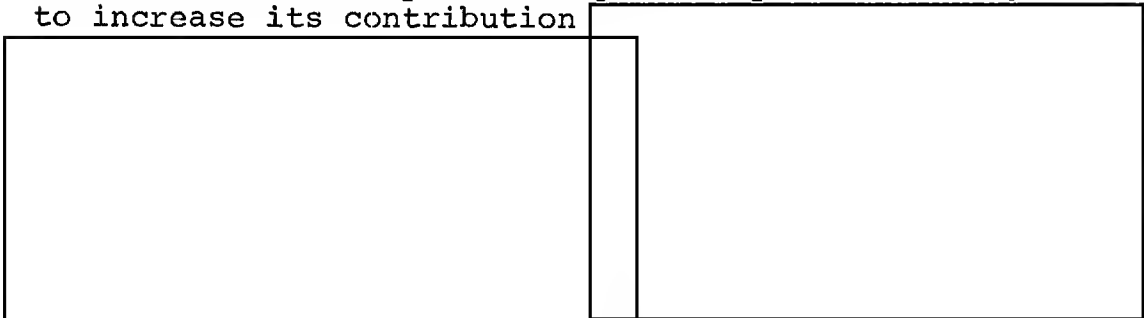
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MALTA: The NATO allies are divided over the best course to pursue toward Malta.

Despite the willingness of some of its partners to raise their share in the present NATO package of \$26 million annually, London presently is unwilling to increase its contribution



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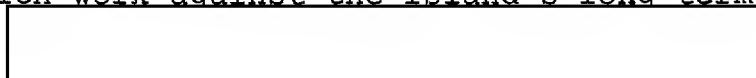
London is unlikely to oppose a larger offer from its partners if it is made bilaterally outside the formal NATO package. The US and Italy are ready to pledge an additional sum, but Germany will probably refuse to go along unless London relents. NAC has already been informed that the estimated cost of relocating and replacing minimum essential facilities if the UK withdraws will be roughly \$26 million.

Although Prime Minister Mintoff continues to maintain that he will not accept less than \$46.8 million, there are some indications that he may back down slightly.



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The Maltese leader continues to have an inflated perception of what the island is worth and to be genuinely convinced that Malta has been ill-used for centuries. Such feelings, coupled with the desperate economic straits he perceives the island to be in, might lead him to actions which work against the island's long-term interests.



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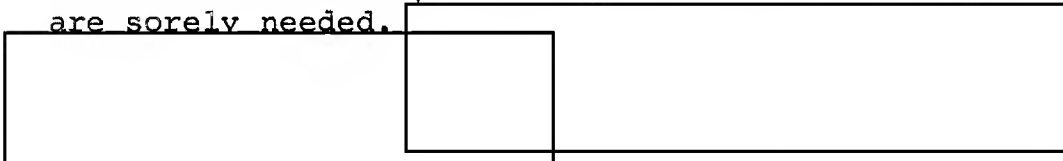
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UGANDA: President Amin's denunciations of the country's Asians presage even greater pressures on this sizable minority.

Last month, in his most bitter condemnation to date, Amin accused the Asians of disloyalty to the government, corruption, failure to contribute to the country's development, refusal to integrate with the African majority, and other transgressions. Amin also canceled long-pending citizenship applications for some 12,000 of Uganda's approximately 80,000 Asians, most of whom are Indians. He announced that new applications would have to be made under criteria now being drawn up by the government.

Amin's moves almost certainly will serve to legitimize anti-Asian feeling among the country's Africans. They also bode ill for resident Asians whose options have been limited in recent years by Uganda's Africanization and by Britain's tightened immigration policies. Resentment against the Asians is based on their conspicuous clannishness and their disproportionate role in commerce and the professions. Moreover, most Asians are reluctant to take out Ugandan citizenship, preferring instead a restricted form of British citizenship.

The President's anti-Asian campaign may not be to Uganda's advantage. An increasing number of Asians holding foreign passports are leaving the country at a time when their investment capital as well as their entrepreneurial and technical skills are sorely needed.



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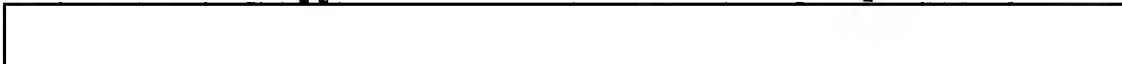
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WEST GERMANY: The government may have to look for new ways to extend West Germany's influence over vital petroleum supplies.

Bonn is carefully considering whether to back an investment of \$200 million by Deminex, a consortium of independent German oil companies, in a joint British-French concession in Abu Dhabi. Guaranteeing such a large project entails substantial risk in the present international petroleum climate. Moreover, British Petroleum (BP) is refusing to agree to Deminex's demand that it be protected against a reduction in ownership if Abu Dhabi achieves a participation in the concession through OPEC negotiations. BP also refuses to give Deminex a direct holding in the concession, offering only a 20-percent interest in the BP share and effectively cutting Deminex out of any direct say in management.

A decision not to proceed with this project, on top of Deminex's previous failure to buy into an Iranian consortium, would prompt West Germany to examine alternative approaches to securing its long-term petroleum supply. Any such approaches are likely to run into the same problems, such as high costs, increased political risks, and the reluctance of the major internationals to admit late-comers.

At present only some 15 percent of West Germany's imports of crude oil are through German-controlled companies. The government aims to increase this share through cooperative ventures with companies such as BP, while continuing to purchase the rest of its supplies from international companies.



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GUYANA: Economic difficulties attributable in part to world oversupply of bauxite and alumina have been intensified by recent "Guyanization" measures.

The government's nationalization last July of the Canadian-owned Demerara Bauxite Company, now called Guybau, has been followed by production and marketing difficulties and a notable decline in government revenues. Marketing prospects for this year remain uncertain. Guybau will have no problem in selling all the calcined bauxite it can produce--about one quarter of the company's total bauxite output, but world markets for dried bauxite and alumina remain soft. Guyana has contracts so far for only some 60 percent of Guybau's projected 1972 dried bauxite output and about 40 percent of its alumina output. Most of the 1972 alumina sales contracts are with the USSR at prices which are at best only slightly above production costs.

Continued efforts to increase government participation in the economy will bring further dislocations. Reduced revenue has forced cutbacks in government expenditures and increased business taxes. The government's recent rejection of price increases requested by importers who have been hurt by Guyana's 7.9-percent devaluation in relation to gold as well as its ban on imports of a number of items that might be produced domestically have greatly disturbed the private sector. As a result, investor confidence has declined and new foreign investment has virtually disappeared.

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CUBA-USSR: The two countries have signed several economic agreements for this year, according to Havana radio. In a departure from past practice, an over-all trade turnover target was not announced, and Moscow media have not commented on the pacts. This suggests that Cuban exports of sugar, which last year were only half the 1970 record level of more than three million tons, may again be below previously anticipated levels. In recent months the Soviets have bought at least 750,000 tons of sugar from non-Communist countries for delivery this year. These purchases were probably made because of rising domestic consumption and export commitments, reduced imports from Cuba, and a decline in the domestic sugar beet harvest.

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USSR-CUBA: The two Soviet-built Osa-class guided missile patrol boats that are being towed across the Atlantic should arrive in Cuba early this week. The Osa patrol boat is armed with four SS-N-2 Styx missiles that have an operating range of about 20 miles. The Cubans already have about 18 of the older and smaller Komar patrol boats that carry only two Styx missiles. The Osa boats probably are destined for Cabanas, a Cuban Komar base west of Havana.

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VENEZUELA: The decision of the two largest foreign-owned oil companies to reduce production may pose the first test of the government's new export quota system. Creole--a Standard of New Jersey affiliate--and Shell are cutting back their crude oil production by 100,000 and 80,000 barrels per day, respectively, because of ample stocks of petroleum products and the relatively mild winter so far in the US. Reductions of this size could lead to violations of the regulations announced last month that require companies to keep their exports at the 1970 level, plus or minus two percent. Should the companies fail during the remainder of the first quarter of this year to restore the production cuts or to draw on stocks to maintain exports, they would be subject to heavy penalties.

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